

**THORN HILL EDUCATION CENTER'S
ADMINISTRATION OF FRANKLIN COUNTY'S ADULT
EDUCATION GRANTS FROM THE COUNCIL ON
POSTSECONDARY EDUCATION AND KENTUCKY
ADULT EDUCATION**

**For The Period
July 1, 2011 Through June 30, 2012**



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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

September 4, 2013

Reecie Stagnolia, Vice President
Kentucky Adult Education
Council on Postsecondary Education
1024 Capital Center Drive, Suite 250
Frankfort, KY 40601

Peg Harmon, President
Thorn Hill Education Center, Inc.
700 Leslie Ave.
Frankfort, KY 40601

Re: Adult Education Grants

Dear Mr. Stagnolia and Ms. Harmon:

This report contains the results of the performance audit of Thorn Hill Education Center's administration of the adult education grants for the fiscal year (FY) ending June 30, 2012. The Council on Postsecondary Education and Kentucky Adult Education contracted with this office to conduct performance audits of selected local adult education programs. This report presents our findings, recommendations, and the program's responses.

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", written over a horizontal line.

Adam H. Edelen
Auditor of Public Accounts

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OF JUNE 30, 2012**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education (CPE) and Kentucky Adult Education (KYAE) selected the Franklin County adult education program for a limited scope performance audit of its adult education and English literacy/civics grants. The Thorn Hill Education Center was responsible for the administration of these grants in FY 2012. An on-site review was conducted during March 20, 2013 through April 16, 2013, to address the following objectives:

- Determine whether KYAE payments to local programs are supported by the program's accounting system.
- Reconcile student and faculty data electronically submitted to KYAE through the Adult Education Reporting Information Network (AERIN) with the information retained by the local provider.
- Determine whether the program's expenditures reported to KYAE via AERIN's Finance Module comply with the terms of their grant agreement and are supported by adequate documentation.
- Report internal control weaknesses identified during our audit that relate to the audit's objectives.

To accomplish these objectives, the performance audit team reviewed the Policy and Procedure Manual for Kentucky Adult Education, as well as the local program's agreement with KYAE. During the on-site review, the audit team reviewed the program's accounting records (trial balance/general ledger), interviewed program administrators regarding internal controls related to the above grants, and tested samples of expenditure documentation, participant files, and personnel files for compliance with applicable requirements. Below is the summary of findings:

FINDINGS SUMMARY

Finding	Disallowed Costs
The program's accounting records supported expenditures in excess of the total amount requested for reimbursement using the KYAE Finance Module for both KYAE grants; however, a reconciliation of expenditures by category was difficult because the financial records were not organized to correspond with KYAE cost categories.	N/A
The program did not maintain the attendance documentation used to record attendance hours for all participants in AERIN.	N/A
On July 6, 2011 a purchase of \$105.92 was made by the program director but there was no purchase order attached to provide evidence that the Thorn Hill Education Center's Board had approved the expense.	N/A

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RESULTS AND RECOMMENDATIONS

FINANCIAL REPORTING AND COMPLIANCE

Scope and Methodology

The annual expenditures for which the program requested reimbursement through the KYAE Finance Module were compared to the line item budget approved by KYAE. This comparison was used to determine whether the program's reimbursements complied with the approved budgets for both KYAE grants.

The annual expenditures for which KYAE reimbursed the program were then compared to the program's internally generated financial records. This comparison was used to determine whether the program's accounting records support the total amount requested for reimbursement using the KYAE Finance Module for both KYAE grants.

Findings

The program's accounting records supported expenditures in excess of the total amount requested for reimbursement using the KYAE Finance Module for both KYAE grants; however, a reconciliation of expenditures by category was difficult because the financial records were not organized to correspond with KYAE cost categories.

Recommendations

We recommend that the program's accounting records be established using the same cost categories used in the KYAE Finance Module or a written explanation/crosswalk should be created to allow a proper reconciliation of each cost category. The program should reconcile the amounts reimbursed by KYAE to their accounting records each month. This reconciliation should be conducted within each of the line item categories as well as in aggregate.

Program Response

Based upon the experience gained during this audit, THEC is purchasing a new version of Quick Books specifically designed for non-profits. Further, we will create a new chart of accounts that will directly align with the account categories of KYAE. A trial balance will be run each month to verify alignment with the budget categories. This will be completed by July 1, 2013.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

To ensure an unbiased representation of the population, an automated process using data provided by KYAE was applied to randomly select 60 participants for the basic adult education grant and six from the English literacy/civics grant. For the basic adult education grant, the sample size was based on the determination to test 20 percent of the program's total participants, not to exceed 60. For the English literacy/civics grant, the sample size was based on the determination to test 15 percent of the total participants, not to exceed 15.

Using an automated process, the total population of participants within the basic adult education grant was stratified so that the participants selected had achieved at least one type of academic goal. With this stratification, the auditors were able to test whether the required support was documented and maintained for all of the selected participants. The participants tested received services during the period from July 1, 2011 through June 30, 2012.

The documentation maintained in the participant files was compared to the electronic student data to test compliance. We examined the files for the following:

- Proper eligibility documentation.
- Proper assessment testing.
- Evidence to support the achievement of goals/objectives reported to KYAE.
- Other requirements based upon the applicable program requirements.

The results of the test apply only to the selected sample and should not be projected to the entire population because the criteria tested may not be applicable to each participant.

Findings

CPE and KYAE require programs to retain the records that support participant data submitted electronically in AERIN; however, the program did not maintain the attendance documentation used to record attendance hours for all participants in AERIN.

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Recommendations

We recommend that any attendance documentation used to record this information in AERIN be maintained for all participants. Staff entering participant data should require complete documentation for any data entry performed and this documentation should be maintained within the participant files. Any issues with the attendance documentation or file deficiencies should be reported to program management.

Program Response

As a response to the 2010 audit we stopped students from logging their own hours directly into the AERIN online system. This action was taken to increase the accuracy of data entry when compared to teacher records. The new process was to hire a single person to post student attendance in AERIN as reported by instructors. Our mistake was to dispose of the source document once we posted data into AERIN. We have already started a filing system and are keeping those source documents.

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EMPLOYEE REQUIREMENTS

Scope and Methodology

The 14 staff members employed by this program during the audit period were tested for compliance with KYAE personnel requirements. Personnel files were examined to verify that staff conducting work related to the adult education grant had the proper educational credentials required for their position.

Findings

No exceptions were noted.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

To test at least 20 percent of the total purchases, a sample of 15 expenditures was selected judgmentally from the program's detailed general ledger. These transactions were maintained at the program level and not available in an electronic format that would allow for an automated selection process. The selected expenditures were tested for authorization/approval, supporting documentation, and proper recording. We also verified that the expenditures were made during the grant period from July 1, 2011 through June 30, 2012. Because this was a judgmental sample, the results of the test cannot be projected to the entire population.

Findings

CPE and KYAE require that all expenditures of the program be supported with adequate documentation; however, on July 6, 2011 a purchase of \$105.92 was made by the program director but there was no purchase order attached to provide evidence that the Thorn Hill Education Center's Board had approved the expense.

Recommendations

We recommend that expenditures be properly approved prior to making the purchase and this approval should be retained as supporting documentation.

Program Response

That PO got separated from purchase packet. We have recreated a P.O., attached it to the purchasing packet, had it reviewed and signed by a board member. A copy is attached.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Internal Control Questionnaires were provided to program management regarding the controls in place for expenditures, bank reconciliations, revenue, and payroll. The completed questionnaires were reviewed by the audit team for any significant control deficiencies.

Findings

No significant control deficiencies were noted